

**Appoquinimink School District
Construction Projects**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

June 30, 2008

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Independent Accountant's Report on Applying Agreed-Up Procedures

Tony J. Marchio, Ed. D.
Superintendent
Appoquinimink School District
118 South Sixth Street
P.O. Box 4010
Odessa, DE 19730

The Honorable Lillian Lowery
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19901

We have performed the procedures enumerated below, which were agreed to by the Appoquinimink School District (the School District), the Office of Auditor of Accounts, and the State of Delaware Department of Education on the District's construction projects. The procedures were performed solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual. The School District's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards* (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Our procedures disclosed an instance of noncompliance that resulted in finding #08-01 and related recommendations. See Appendix A.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

Tony J. Marchio, Ed. E.
The Honorable Lillian Lowery

3. Determine if expenditures are accurately stated and are made in accordance with the State's Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the local Board of Education.

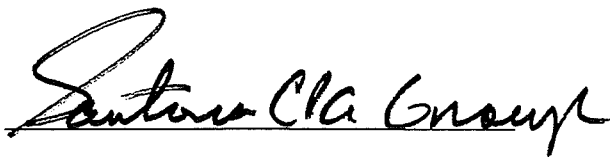
Our procedures disclosed an instance of noncompliance that resulted in finding #08-02 and related recommendations. See Appendix A.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the current fiscal year. Ensure that completed projects have been appropriately closed out of construction and added to the State's Fixed Asset Accounting System (FAAS).

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Appoquinimink School District management and Board Members and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, the Office of the Controller General, the Office of the Attorney General, the Office of Management and Budget, the Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

A handwritten signature in black ink that reads "Santora CPA Group". The signature is written in a cursive, flowing style.

Newark, Delaware
January 26, 2009

Appoquinimink School District
Schedule of Findings and Recommendations

Procedure Agreed Upon #1:

Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Finding #08-01:

Criteria

The State of Delaware Capital Asset Accounting Manual requires each state agency to establish internal written procedures and controls necessary to implement and monitor prescribed capital asset accounting and reporting policies, guidelines, and standards.

Condition

During our required documentation of the School District's internal controls as they relate to the recording of fixed asset additions to the State's FAAS, we noted that the current process for recording additions does not provide for a supervisor's approval of the amounts input. Currently, additions are added to FAAS that represent the current year capitalizable expenditures. The accuracy of the amounts and descriptions entered are not currently reviewed and approved by management to ensure accuracy and completeness.

Cause

Proper internal control procedures are not in place within the School District to ensure that fixed assets are captured correctly within the State's FAAS.

Effect

Fixed assets may be misstated and may not include all expenditures that should be capitalized within the State's FAAS.

Recommendation

The School District needs to implement an internal control process whereby the fixed asset amounts and descriptions entered into FAAS are reviewed by management, or their designee, to verify accuracy and completeness.

School District Response:

The School District will implement a management review process for the State's FAAS. The School District is also in the process of consulting with other school districts to implement FAAS best practices already in place by those districts.

Procedure Agreed Upon #3:

Determine if expenditures are accurately stated and are made in accordance with the State's Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the local Board of Education.

Finding #08-02:

Criteria

An effective internal control system includes a supervisory review of the expenditures incurred and work performed during the fiscal year to ensure that all costs are properly included as expenditures or capitalized as fixed asset additions in the year incurred.

Condition

During our review of expenditure detail and the annual GAAP package reported to the State, we noted that there is no process in place to reconcile the total expenditures incurred by project to the total Construction Work in Progress (CWIP) additions included in the GAAP package, to ensure only capitalizable expenditures have been included within the additions reported.

Cause

No procedures are in place within the School District to reconcile the total expenditures incurred by project to the total CWIP additions included in the GAAP package.

Effect

Total CWIP additions incurred during the fiscal year may not reconcile to the total additions included in the GAAP package.

Recommendation

The School District needs to implement procedures to analyze and reconcile the total expenditures each fiscal year to the CWIP and fixed asset additions to ensure the CWIP includes only capitalizable expenditures.

School District Response:

The CWIP reconciliation has been completed on an annual basis with close assistance from the State during GAAP reporting. The School District is working on implementing the “skeleton” process used by other state agencies in conjunction with DFMS to enable the School District to do an ongoing CWIP reconciliation.

Appendix B

Appoquinimink School District Schedule of Prior Year Findings

The following schedule summarizes the prior year findings and status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
Finding #07-01	It was recommended that School District personnel notify the appropriate entities indicated in the SCM once a project has been completed and the Certificate of Occupancy is received.	School District personnel have adopted a policy to ensure that all appropriate entities indicated in the SCM have been notified once the project has been completed and the Certificate of Occupancy is received. Implemented

Status Key

Implemented

The concern has been addressed by implementing the original or an alternative corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated, but is not complete, and the auditor has reason to believe management fully intends to address the concern.

Schedule C

Appoquinimink School District

Schedule of Construction Projects

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current Fiscal Year	Expended Prior Fiscal Years	Total Project Expended to Date	Total Unspent as of 6/30/08
Redding Middle School	2004	\$ 334,488	\$ -	\$ 334,488	\$ 1,518	\$ 329,457	\$ 330,975	\$ 3,513
Redding Middle School	2005	4,729,700	-	4,729,700	39,232	4,682,852	4,722,084	7,616
Redding Middle School	2006	845,100	-	845,100	15,080	796,990	812,070	33,030
Alfred Waters Middle School	2005	2,297,300	-	2,297,300	38,378	2,258,922	2,297,300	-
Alfred Waters Middle School	2006	3,378,400	-	3,378,400	86,092	3,291,759	3,377,851	549
Alfred Waters Middle School	2007	15,915,200	-	15,915,200	4,027,593	9,925,710	13,953,303	1,961,897
Cedar Lane Early Childhood Center	2004	405,750	-	405,750	819	404,931	405,750	-
Cedar Lane Early Childhood Center	2005	3,378,400	-	3,378,400	10,481	3,367,853	3,378,334	66
Cedar Lane Early Childhood Center	2006	679,100	-	679,100	1,985	659,709	661,694	17,406
Cedar Lane Early Childhood Center	2007	120,000	-	120,000	-	110,000	110,000	10,000
Townsend Early Childhood Center	2008	7,557,160	-	7,557,160	5,568,234	-	5,568,234	1,988,926
Middletown High School	2006	405,400	-	405,400	535	404,865	405,400	-
Middletown High School	2007	3,684,300	-	3,684,300	1,490,276	2,009,734	3,500,010	184,290
Middletown High School	2008	2,623,200	-	2,623,200	2,250,669	-	2,250,669	372,531
Appoquinimink High School	2004	2,502,962	-	2,502,962	-	2,502,962	2,502,962	-
Appoquinimink High School	2005	34,361,300	-	34,361,300	3,001,237	31,190,172	34,191,409	169,891
Appoquinimink High School	2005	1,515,000	-	1,515,000	-	1,515,000	1,515,000	-
Appoquinimink High Athletic Field	2006	9,999,800	-	9,999,800	3,280,968	5,898,948	9,179,916	819,884
District Office Renovation	2006	1,216,200	-	1,216,200	1,030,110	3,649	1,033,759	182,441
District Office Renovation	2007	1,039,500	-	1,039,500	731,503	-	731,503	307,997
District Office Renovation	2008	3,608,729	-	3,608,729	3,519,880	-	3,519,880	88,849
Bunker Hill Elementary School	2008	8,506,050	-	8,506,050	2,057,012	-	2,057,012	6,449,038
Advance Plan	2007	500,000	(455,439)	44,561	-	44,561	44,561	-
Total		\$ 109,603,039	\$(455,439)	\$ 109,147,600	27,151,602	69,398,074	96,549,676	\$ 12,597,924
Market pressure money expenditures					656,733	6,407,750	7,064,483	
Total expenditures					\$ 27,808,335	\$ 75,805,824	\$ 103,614,159	

Distribution of Report

Copies of the Appoquinimink School District's Agreed-Upon Procedures Attestation Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Jack A. Markell, Governor, State of Delaware
The Honorable Gary M. Pfeiffer, Secretary, Department of Finance
The Honorable Ann S. Visalli, Director, Office of Management and Budget
The Honorable Lillian M. Lowery, Secretary, Department of Education
Ms. Dorcell Spence, Associate Secretary, Finance and Administrative Services,
Department of Education
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General
The Honorable Velda Jones-Potter, Treasurer, State Treasurer's Office

Other

Joanne Christian, President, Appoquinimink Board of Education
Edward Czerwinski, Vice President, Appoquinimink Board of Education
Edna Cale, Appoquinimink Board of Education
Robert Gilsdorf, Appoquinimink Board of Education
Donna Skinner, Appoquinimink Board of Education
Tony Marchio, Ed.D., Superintendent, Appoquinimink Board of Education
Chuck Longfellow, Chief Financial Officer, Appoquinimink School District